

Message Text

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ACTION A-01

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INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 0847

E.O. 11652: GDS
TAGS: CH US PEPR
SUBJ: CODEL REUSS/BENTSEN MEETING WITH VICE MINISTER OF FOREIGN
TRADE

1. CODEL REUSS/BENTSEN MET WITH VICE MINISTER OF FOREIGN TRADE
LIU HSI-WEN MARCH 28. OTHER PARTICIPANTS INCLUDED AN TANG,
DEPUTY CHIEF OF THIRD DIVISION, MFT, AND AMBASSADOR WOODCOCK AND
RICHARD BOCK FROM USLO. FOLLOWING ARE SELECTED PORTIONS OF THE
DISCUSSION.

REUSS: WE KNOW FROM OUR EARLIER TALKS THAT THE PRC IS
INTERESTED IN SUCH THINGS AS LARGE COMPUTERS AND OFF-
SHORE OIL DRILLING RIGS. WE WOULD BE INTERESTED IN
THE KIND OF THINGS THE PRC WOULD EXPORT TO THE UNITED
STATES BECAUSE WHILE WE WOULD NOT TRY TO BALANCE OUR
TRADE EVERY YEAR, OVER THE LONG HAUL IT WOULD BE A GOOD
TARGET TO AIM FOR. WHAT WOULD YOU ENVISAGE TO BE THE
KINDS OF COMMODITIES AND TOURISM THE PRC MIGHT WANT TO
INTEREST THE UNITED STATES IN? THIS WOULD BE ASSUMING
NORMLAIZATION OF RELATIONS, NON-DISCRIMINATORY TRADE
AND LOOKING FORWARD TO YOUR WHOLE PLANT PURCHASES.
LIU: ALL OF YOUR MEMBERS OF CONGRESS SHOW CONCERN
FOR TRADE WHICHI CAN APPRECIATE. IN HIS FIFTH NATIONAL
PEOPLE'S CONGRESS SPEECH CHAIRMAN HUA SAID THE PEOPLE
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OF CHINA AND THE US HAVE ALWAYS BEEN FRIENDLY AND
WE ARE WILLING TO PROMOTE EXCHANGES IN ORDER TO BUILD
UNDERSTANDING.
REUSS: I WOULD HEARTILY AGREE THAT WE MUST PROMOTE
FRIENDSHIP. IN THE US CONGRESS AS WE MOVE TOWARD
NORMALIZATION, MOST FAVORED NATION STATUS ANE EXPORT
CREDIT QUESTIONS ARE GOING TO BE ASKED THAT IF HIGH

LEVEL OF TECHNOLOGY IS MADE AVILABLE TO THE PRC WHAT WOULD THE US GET IN EXCHANGE. WE NEED TO BE ABLE TO ANSWER THIS QUESTION WHEN WE GET HOME.

LIU: WHEN I REFERRED TO CHAIRMAN HUA'S REFERENCE TO EXCHANGES BETWEEN PEOPLES I UNDERSTAND THAT THIS INVOLVES ALL ASPECTS. YOUR VISIT IS ONE OF THE EXCHANGES AND THE TRADE BETWEEN US IS ALSO PART OF THE EXCHANGES. DESPITE THE FACT THAT RELATIONS ARE NORMALIZED TRADE BETWEEN THE TWO PEOPLES IS STILL GOING ON. THE VOLUME NOW IS NOT LARGE AND BECAUSE THE RELATIONS ARE NOT NORMALIZED IT IS IMPOSSIBLE TO CONDUCT TRADE AT A GREATER VOLUME. IN ANSWER TO YOUR QUESTION ABOUT WHAT GOODS CHINA IS INTERESTED IN, CHAIRMAN HUA IN HIS 5TH NPC SPEECH DISCUSSED THE TEN YEAR PLAN. AND ASPECT OF THIS PLAN WILL BE IMPLEMENTED BY OUR OWN EFFORTS. OF COURSE WE MUST INTRODUCE SOME ADVANCED TECHNIQUES. AS THE PEOPLE FROM YOUR LIAISON OFFICE ARE AWARE THE PRC HAS CONCLUDED A LONG TERM TRADE AGREEMENT WITH JAPAN AND WILL BE COMPLETING ONE VERY SOON WITH THE EEC. BOTH ARE VERY INTERESTED IN EXPORTING ADVANCED TECHNIQUES. RELATIONS BETWEEN THESE COUNTRIES WITH CHINA ARE ALREADY NORMALIZED AND TRADE WITH THEM CAN BE SPEEDED UP AND THE VOLUME OF TRADE INCREASED. WE WILL TAKE INTO CONSIDERATION OUR NEEDS AND CONDITIONS IN DECIDING WHAT TO IMPORT FROM THE EEC. THE US CASE IS ENTIRELY DIFFERENT. RELATIONS ARE NOT CONFIDENTIAL

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NORMALIZED SO THAT THIS EFFECTS THE DEVELOPMENT OF TRADE AND EXERTS GREAT LIMITS ON IT. ONCE WE WANTED TO BUY COMPUTERS BUT YOU EMBARGOES THEM. NOT ONLY DO YOU EMBARGO SOME ITEMS YOU EXPORT BUT YOU ALSO IMPOSE HIGHER TARIFFS ON CHINESE IMPORTS. IN SUM I CAN ENVISAGE THAT ONCE RELATIONS ARE NORMALIZED AND THE OBSTACLES I MENTIONED ABOVE ARE REMOVED, THAT TRADE BETWEEN OUR TWO COUNTRIES WILL GROW. AS TO HOW MUCH AND THE KINDS OF COMMODITIES THE CHINESE ARE INTERESTED IN BUYING FROM AND EXPORTING TO THE UNITED STATES, THESE ARE QUESTIONS FOR THE FUTURE. BY SAYING THIS I DO NOT MEAN THAT TRADE BETWEEN THE TWO PEOPLES CANNOT BE CARRIED ON BEFORE NORMALIZATION. TRADE BETWEEN US IS BETWEEN CEOPLES AND VOLUME IS NOT LARGE. BUT WE WILL CONTINUE THIS TRADE ON THE BASIS OF EQUALITY, MUTUAL BENEFIT AND SUPPLYING EACH OTHER'S NEEDS. AS TO WHAT CHINA EXPORTS THIS VARIES QUITE A LOT. I HAVE HERE A PAMPHLET ON CHINA'S EXPORTS (HE GAVE THE PAMPHLET TO CONGRESSMAN REUSS). IT IS GOOD FOR MEMBERS OF CONGRESS TO SHOW CONCERN ABOUT TRADE BUT NORMALIZATION IS MORE IMPORTANT. ONCE THIS PROBLEM IS SOLVED THEN THE TRADE WILL GROW.

REUSS: I WILL ONLY SAY THAT OUR VOTERS ARE VERY
INQUISITIVE. WHEN WE TALKS ABOUT NORMALIZATION, WHICH
I SUPPORT, THEY WILL ASK ABOUT THE FUTURE OF THE PEOPLE
ON TAIWAN AND THEY WILL WANT TO KNOW WHAT WILL RESULT
FROM SELLING COMPUTERS AND OTHER EQUIPMENT.

LIU: I THINK AS MEMBERS OF CONGRESS YOU ARE FULLY
CAPABLE OF ANSWERING THESE QUESTIONS. SINCE YOU
UNDERSTAND THE BASIC INSSUES BETWEEN THE PRC AND THE US YOU
CAN ANSWER THE VOTERS. AS TO THE QUESTION OF THE
LIVELIHOOD OF THE PEOPLE OF TAIWAN IN THE FUTURE,
THAT IS A CHINESE INTERNAL AFFAIR. IF VOTERS ASK WHAT
THE TRADE WILL BE AFTER NORMALIZATION, THEN YOU CAN SAY
THE TRADE WILL BE FAR BETTER.

BENTSEN: IT IS TRUE THAT THERE HAVE BEEN SOME RESTRICTIONS
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ON OUR TRADE WITH YOU BUT YOU HAVE STRICT RESTRICTIONS ON TRADE
WITH US. WE FIND IT COMPLICATED TO EXPLAIN TO OUR PEOPLE SUCH
THINGS AS FOEIGN MINISTER HUANG'S SEPTEMBER SPEECH AT THE UN
WHICH CRITICIZES THE UNITED STATES AS BEING THE ENEMY OF THE
THIRD WORLD AND THE WORLD'S PEOPLES. SINCE THE SHANGHAI COMMUNIQUE
OUR PEOPLE HAVE SAID POSITIVE THINGS ABOUT

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 0847

CHINA AND TRIED TO PROMOTE TRADE. STATEMENTS LIKE
THOSE OF MINISTER HUANG MAKE IT VERY DIFFICULT TO EXPLAIN TINGS
TO OUR PEOPLE AND THEY SHOULD BE AVOIDED.
LIU: AS I MENTIONED BEFORE CHAIRMAN HUA SAID IN HIS

SPEECH THAT THE CHINESE PEOPLE HAVE ALWAYS BEEN FRIENDLY TO THE AMERICAN PEOPLE. I DON'T REMEMBER THAT THE FOREIGN MINISTER EVER ATTACKED THE AMERICAN PEOPLE. AS TO HOW US IMPERIALISM TEATS THIRD WORLD COUNTRIES THAT IS UP TO YOU TO DECIDE. I AM NOT SURE WHAT YOU REFER TO WHEN YOU SAY CHINA ALSO IMPOSES RESTRICTIONS. WHAT WE IMPORT FROM THE US DEPENDS ON NEEDS AND POSSIBILITIES. I THINK THE MEMBERS OF YOUR AND PREVIOUS DELEGATIONS AFTER THEY HAVE VISITED THE PRC WILL FEEL THAT THE CHINESE PEOPLE ARE FRIENDLY TOWARD THE AMERICAN PEOPLE.

BENTSEN: I BELIEVE THE CHINESE PEOPLE ARE FRIENDLY TOWARD THE AMERICAN PEOPLE. BUT I ALSO BELIEVE SPEECHES LIKE FOREIGN MINISTER HUANG'S HURT THESE RELATIONS. ON ANOTHER SUBJECT I COME FROM TEXAS AND I THINK THAT OIL AND GAS ARE GREAT NATURAL RESOURCES. WE HAVE SEEN THAT GREAT BRITAIN HAS PROSPERED WITH PRODUCTION SHARING AND WE WOULD BE INTERESTED TO KNOW IF CHINA HAS INTEREST. VICEPREMIER KENG WANTED TO KNOW IF WE WOULD SEND AN OIL DELEGATION FROM THE US AND OF COURSE WE WOULD BE HAPPY TO DO SO.

LIU: WE WOULD WELCOME SUCH A DELEGATION. OUR OIL DELEGATION TO THE US WAS WARMLY RECEIVED. WE
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ARE VERY GRATEFUL. I HAVE NOT BEEN TO THE US BUT MY FRIENDS WHO HAVE BEEN TELL ME THAT THE AMERICANS ARE FRIENDLY TO THE CHINESE. ON THE QUESTION OF OIL DRILLING EQUIPMENT THE DEPARTMENTS CONCERNED CAN EXCHANGE MATERIALS. AND IF YOU HAVE MATERIALS AND INTRODUCE THE EQUIPMENT YOU CAN PROVIDE THEM.

CHILES: I AM A BIT CONFUSED. THIS MORNING WE DISCUSSED OUR JOINT STRATEGIC INTERESTS WITH VICE PREMIER KENG. THE VICE PREMIER BROUGHT UP THE QUESTION OF FOREIGN TRADE AND WHEN I ASKED HIM ABOUT PRODUCTS FOR EXPORT HE REFERRED TO THIS AFTERNOON'S MEETINGS AND SAID WE WOULD GET TO THE DETAILS HERE. I WOULD BE INTERESTED TO KNOW IF WE ARE GOING TO GET THE DETAILS. I WOULD LIKE TO KNOW WHAT COMMODITIES YOU WOULD LIKE TO IMPORT FROM THE US AND WHAT YOU PLAN TO EXPORT TO THE US. BUT THE QUESTION IS MORE WHAT WILL CHINA BE EXCHANGING FOR THE TECHNOLOGY IT WANTS FOR MODERNIZATION BY THE YEAR 2000. OUR COUNTRY IS INTERESTED IN EXPORTING GRAIN, TECHNOLOGY, STEEL AND IS INTERESTED IN IMPORTING OIL, GAS AND COAL AS WELL AS OTHER THINGS. I WANT TO TRY TO GET SOME UNDERSTANDING OF WHAT CHINA WANTS TO IMPORT SO WE CAN GET AN IDEA OF WHAT KIND OF EXCHANGE IS THERE.

LIU: I HAVE JUST PROVIDED YOU WITH A PAMPHLET LISTING COMMODITIES CHINA HAS TO EXPORT. IN ORDER TO SAVE TIME I WON'T GO INTO ALL OF THEM. ON OIL IT IS TRUE THAT WE HAVE ABUNDANT RESOURCES AND A SURPLUS. OUR

PRODUCTION IS ON THE INCREASE AND FOR THE TIME BEING
MOST OF IT IS FOR INTERNAL USE WITH ONLY A SMALL AMOUNT
FOR EXPORT. THE SULFUR CONTENT IS SMALL AND IF YOU
ARE INTERESTED YOU CAN MAKE CONTACT WITH THE DEPARTMENTS
CONCERNED. WE NEED OUR GAS FOR DOMESTIC CONSUMPTION
AND THERE IS NO EXPORT AT PRESENT BUT THE REST
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DEPENDS ON THE FUTURE. I DON'T UNDERSTAND ABOUT COAL.
U HAVE COAL. WHY DO YOU WANT TO IMPORT IT?
CHILES: WE DO HAVE COAL BUT WE IMPORT SOME IN SOME
PLACES ALTHOUGH THIS WILL NOT BE A BIG IMPORT.
LIU: I UNDERSTAND THAT THE US EXPORTS LOTS OF WHEAT BUT
THAT THE WHEAT IS GREATLY AFFECTED BY TCK SMUT.
MICHEL: LET ME SPEAK BLUNTLY. AS FORMER PRESIDENT
MIGHT MIGHT HAVE SAID, IT IS GOOD TO HAVE FRIENDSHIP
BUT WE NEED SOMETHING TO SUSTAIN THAT FRIENDSHIP. IS
THAT WHAT SUSTAINS IT TO BE STRATEGIC OR IS IT TO BE
TRADE? OUR CONSTITUENTS WILL ASK, "WHAT'S IN IT FOR
US?" WHAT BESIDES FRIENDSLY RELATIONS DO WE GET FROM
OUR RELATIONSHIP? YOU CAN HAVE TRADE AGREEMENTS WITH
JAPAN AND EUROPE BUT THEY ARE NOT AMILITARY THREAT.
OUR CONSTITUENTS WILL WANT TO KNOW ABOUT TRADE. FOR
EXAMPLE, MY DISTRICT SELLS MACHINES AND THEY WILL BE
INTERESTED IN PIPELINE AND OTHER MACHINERY. WE CAN
ALWAYS BUY OIL FROM THE ARABS BUT IT SEEMS TO MAKE
STRATEGIC SENSE FOR US TO BUY FROM CHINA.
LIU: I THINK TRADE IS A TWO WAY STREET. IT IS IMPOSSIBLE FOR US
TO GO INTO DETAILS HERE. YOUR COMPANIES CAN CONTACT
OUR CORPORATIONS.
BENTSEN: IF I MIGHT ASK ONE DETAIL, IF WE HAVE TECHNICAL
AND TRADE JOURNALS SHOULD THEY BE SENT BY THEIR
OFFICES SHOWING THE BROCHURE OR IS THERE AN EXTENDED
LIST OF PEOPLE WHO WOULD BE INTERESTED AND WHO WE SHOULD
TALK TO? IF OUR PEOPLE KNEW BETTER WHAT IS NEEDED,
THEN COMPETITION COULD BE IMPROVED AND YOU COULD HAVE
LOWER PRICES. WE DO NOT HAVE TIME TO DISCUSS THE
PROBLEMS HERE BUT IF THE CONTACTS AREMADE BY THE
COMPANIES IT CAN BE WORKED OUT. THE COMPANIES HAVE
ALREADY ASKED ABOUT OIL EQUIPMENT PRICES AND WE HAVE
ALSO BEEN MAKING CONTACTS ON DRILLING TUBES.
REUSS: I WOULD LIKE TO EXPRESS APPRECIATION FOR
YOUR TAKING TIME WITH US THIS AFTERNOON.
LIU: THIS IS OUR FIRST TIME TO MEET AND WE NEED TO
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KNOW EACH OTHER BETTER. WE ARE WILLING TO CONDUCT AND
DEVELOP TRADE BETWEEN OUR TWO PEOPLES AND TODAY YOU
HAVE PROVIDED INFORMATION TO US WHICH IMPROVES OUR
UNDERSTANDING. IF YOU HAVE TIME YOU MIGHT WANT TO GO
TO THE TRADE CORPORATIONS. IF YOU CANNOT DO IT ON
THIS TRIP THEN PERHAPS SOME TIME IN THE FUTURE. OR
YOU CAN HAVE YOUR INDUSTRIALISTS COME TO TALK.
WOODCOCK

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